

Exhibit B

Terror-linked charity cut off

U.S. officials say the Al-Haramain Islamic Foundation's operation in Oregon will be designated a terrorist supporter

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LES ZAITZ

Saudi Arabia said Wednesday it was shutting down an Islamic charity with ties to Oregon after a series of terrorist attacks that have shaken the kingdom and left dozens dead.

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After years of U.S. pressure to take action against Islamic militants, Saudi officials announced in Washington that they had seized the assets of the charity, which has long been suspected of bankrolling al-Qaida and related terrorist organizations.

Aqeel Abdul Aziz Al-Aqeel, who founded Al-Haramain Islamic Foundation Inc. in 1988, was designated a terrorist supporter Wednesday by U.S. officials. Al-Aqeel became president of the Islamic charity in Ashland in 1999.

Saudi officials said they will shut down the main charity, while U.S. officials said they intend to designate the Oregon operation in Ashland a terrorist supporter.

"We're moving in that direction," said Juan Zarate, a deputy assistant secretary at the Treasury Department.

Designations make it illegal to deal with terrorist supporters. The aim is to cut the flow of money to terrorists.

Treasury Department officials already have frozen the assets in Ashland of Al Haramain Islamic Foundation Inc. while they investigate terrorist links. In February, federal agents searched the charity's Ashland compound in a hunt for evidence of tax fraud and terror financing. Both investigations are continuing.

Saudi officials removed Al-Aqeel as director general of the Saudi charity earlier this year, but officials said Wednesday he still appeared to have some control.

Saudi officials noted they have no legal authority over the Oregon charity.

"It's an American operation," said Adel Al-Jubeir, a Saudi foreign policy adviser in Washington. He spoke at a Washington news conference. "There is a process that tries to deal with it, but it hasn't reached the point yet where the U. S. government can take action against it."

Al-Jubeir said his country has been galvanized by terrorist attacks, including last weekend's attack in Khobar, which killed 22 people.

"Al-Qaida is trying to destabilize our economy and our government," Al-Jubeir said.

He said the new Saudi charity commission "will take over all aspects of private overseas aid operations and assume responsibility for the distribution of private charitable donations."

Mosque boxes ended

A tenet of Islam is "zakat" -- a required annual donation meant for the needy. Last year, the Saudi government took the unprecedented step of ending collection boxes in mosques. They suspected the collections provided millions in untraceable cash that could be diverted to terrorists.

Al-Jubeir said the Saudi government also is "going after the mind-set that fomented and justifies acts of terror." He said training of imams -- Islamic religious leaders -- would be changed "to be sure there is no room for incitement or intolerance."

The Saudi charity grew into one of the world's largest Islamic charities. Its assets in Saudi Arabia would pass to a new national commission, Saudi officials said. "That will be the end of Al-Haramain," said Nail Al-Jubeir, a Saudi Embassy spokesman.

U.S. officials long have suspected the Saudi operation of providing money and logistical support to al-Qaida worldwide. They have openly criticized the Saudis in the past for reluctance to act against suspect charities.

Al-Haramain at one time operated branches in 50 countries. Since 2002, six have been designated terrorist supporters. Al-Haramain branches in five more countries were added Wednesday in a joint announcement by U.S. and Saudi officials.

Administration officials said the dramatic Saudi actions resulted from painstaking diplomacy during the past year.

"We were not making progress absent personal intervention from the president," said Fran Townsend, a deputy national security adviser.

U.S. investigators finally got access to witnesses and records in Saudi Arabia to pursue terrorism leads, Townsend said.

Zarate said, "We along with the Saudis have identified channels used by al-Qaida in the past and potentially in the future."

Local founder leaves country

Officials of the Oregon charity couldn't be reached Wednesday.

An FBI affidavit filed in Portland last month said the foundation's local representative, tree planter Pete Seda, left the country last year and was thought to be in the Middle East. Seda didn't respond to an e-mail message.

Seda started the Oregon operation in 1989, giving away Islamic books to prisoners in the United States and Canada. Saudi representatives of Al-Haramain persuaded Seda in 1997 to use his operation as the U.S. branch of the Saudi charity. Al-Haramain provided money to buy the Ashland prayer house and Islamic books for American distribution. In 1999, the foundation incorporated with Al-Aqeel as president.

In prior statements, Seda has said his foundation had no connection to terrorism and was committed to peace.

Larry Matasar, a Portland attorney representing Seda and the Oregon foundation, declined to comment. The foundation's attorneys in Washington, D. C., didn't respond to telephone or e-mail messages.

By early 2002, Seda, the Oregon foundation and one other foundation official were placed on an FBI "watch list" of individuals and organizations with financial transactions that might have supported terrorism. More than 300 names appear on the list.

The foundation maintains an Ashland phone number that rings to an answering service. Its headquarters is a large home behind a gated driveway on the southern edge of Ashland. The home once was used for regular prayers and Islamic classes.

The FBI affidavit said agents searching Al-Haramain's offices last February found Qurans with an appendix called "The Call to Jihad in the Qur'an (Holy Fighting for Allah's Cause)." The affidavit said that document discussed how "fighting through jihad was obligatory for Muslims."

Money-laundering alleged

The February search was based on an IRS affidavit recounting suspicions of money-laundering and terrorism funding by the Oregon foundation and two of its leaders.

The affidavit said bank records showed that the foundation received a \$150,000 donation wired from England in early 2000 that was turned into \$130,000 in traveler's checks and a \$21,000 cashier's check. A Saudi serving as treasurer of the Oregon operation traveled to Oregon, got the checks and left the country for Riyadh, Saudi Arabia, without declaring the checks to U.S. customs officials.

Investigators traced the checks to Saudi bank accounts, and foundation records showed the money was intended for Chechen refugees, according to the affidavit. Al-Haramain disguised where the money went, inflating on its tax records the cost for a prayer house it acquired in Missouri, according to the IRS affidavit. The ruse was meant to "conceal the movement of funds to

Chechnya," where Muslim fighters are battling Russian troops, the affidavit said.

Al-Aqeel, 55, has been defiant in the face of U.S. pressure on his charity.

"We are like heroes in the Islamic world because America is against us," Al-Aqeel told the Arab media two years ago. He said terrorist designations against Al-Haramain branches in Bosnia and Somalia wouldn't stop the charity.

"We still can do the work in Bosnia and Somalia even if our offices there were closed," Al-Aqeel told the Saudi media. "We can run the work through preachers. They can close the offices, but they cannot arrest all the preachers."

Leader persists in operation

Saudi and U.S. officials said Al-Aqeel made good on his promise, as Al-Haramain reappeared under new names twice in Bosnia after its operations there were stopped.

Tax and corporate records show that Al-Aqeel was president of the Oregon operation while he retained control of the Saudi charity. He was president from 1999 until 2002, and foundation records showed an Ashland address for him that is a private mail box service. It's unknown whether he ever visited Oregon.

The Treasury Department described Al-Aqeel as a "suspected al-Qaida supporter" who controlled all of Al-Haramain's operations "including its support for terrorism." The statement said Al-Haramain's worldwide operation represented the "principal" Islamic charity "providing support for the al-Qaida network and promoting militant Islamic doctrine worldwide."

Zarate said Al-Aqeel's link to al-Qaida officials "tends to be indirect" through third parties.

"He was in control of the operations. He was in contact with the branches. He was operating it and giving directions," Zarate said.

Saudi officials last year stopped Saudi charities from sending money out of the country for international aid, but Al-Aqeel tried to evade those controls.

The Saudis subsequently stripped him of his charity post, froze his assets and launched what officials said was an aggressive investigation of Al-Aqeel.

U.S. details crackdown

U.S. officials also revealed closely held intelligence to explain moving against Al-Haramain branches in Afghanistan, Albania, Bangladesh, Ethiopia and the Netherlands.

For instance, the joint statement said Osama bin Laden "may have financed" the creation of the Al-Haramain branch in Albania, which has been used as a cover for terrorist activity in Albania and in Europe.

In Bangladesh, a senior Al-Haramain official "deployed a Bangladeshi national to conduct surveillance on U.S. consulates in India for potential terrorist attacks." The scout was caught in 1999 with 4 pounds of explosives and five detonators.

Branches in Somalia, Bosnia, Indonesia, Kenya, Pakistan and Tanzania were designated earlier as terrorist supporters.